



50th Session of the Advisory Body on Administrative and Financial Matters (ABAF)

Statement by the Deputy Director-General of the OPCW, Ms Odette Melono

1 June 2021

Dear Mr Chairperson,
Distinguished Members of the ABAF,

I would like to extend to all of you a very warm welcome to the Fiftieth Session of the ABAF. Allow me to take this opportunity to thank you for your very important service to the OPCW and also to acknowledge the engagement of the newest ABAF members, Ms Hollie Marie Mance, Ms Fatima Hamdia Tanweer, Ms Yoko Sakurai, and Mr Bahram Jamali.

A number of important topics are before you this week, including the status to date of the OPCW's 2021 financial performance, the 2020 programme performance, the 2020 financial statements, progress in transitioning to biennial budgeting, an update on ERP implementation, and a status report on the OPCW ChemTech Centre project.

Let me begin by turning to the **2021 Financial Performance**. As at the end of May 2021, the overall rate of cash inflows is lagging the forecast for the year. Taking into account the trends from 2018, 2019, and 2020, it is anticipated that it will be necessary to use the Working Capital Fund in order to maintain liquidity in 2021. The Working Capital Fund was reinstated to its fully funded level of EUR 8.1 million in February 2021 through repayment of previously borrowed amounts. However, even at its fully funded level, the WCF will only be able to sustain operational requirements for a short period of time.

In recent years, the early payment of subsequent year assessed contributions close to year-end has helped to alleviate serious cash pressures caused by delays in State Party in-year payments and reimbursements. In fact, without these early payments by some States Parties, the OPCW cash position at the end of 2020 would have been negative because the Working Capital Fund was already nearly exhausted by December. It is important to emphasise that timely receipt of assessed contributions is critical in order to ensure that the OPCW is able to sustain liquidity and to deliver the Organisation's Programmes.

This is all the more vital in light of the fact that the OPCW has a final cash deficit position of approximately EUR 1.2 million for 2019, resulting from significant prior-year, still outstanding assessed contributions and Article IV and V reimbursements. It is therefore important that there is more positive movement in both of these areas in 2021 in order to avoid such a situation reoccurring in future years.

The COVID-19 pandemic continues to have an impact on the Organisation's operations. Through the use of new tools and methods, the Secretariat is making every effort to mitigate to the extent possible the impact of the COVID-19 pandemic situation on the implementation of the OPCW's Programmes. In this regard, the COVID Variable Impact Special Fund

provides an important element of financial flexibility for the Secretariat to respond to the evolving pandemic circumstances.

Of course, the COVID pandemic also impacted the execution of the **2020 Programme and Budget**, particularly with regard to activities relying heavily on official travel or in-person meetings. This resulted in an overall lower budget implementation rate for the year than the traditional OPCW norm. Nevertheless, the Secretariat managed to maintain all business critical functions, including meetings of the policy-making organs.

As regards the **2020 Financial Statements**, the External Auditor has completed the financial audit for 2020. However, complications associated with fully remote auditing – as opposed to traditional on-site sampling – have led to delays in the External Auditor’s preparation of the long-form report.

I understand that with ABAF’s kind understanding the External Auditor will present the financial audit outcome to ABAF-50, and defer his presentation on the long-form report to ABAF-51.

I turn now to **Biennial Budgeting**. In accordance with the decisions of the Conference, the Secretariat is well on the way to transitioning to biennial budgeting, starting with the 2022-2023 biennium. As per the traditional schedule, the Secretariat is preparing a draft proposal that will be presented to States Parties by the Director-General in the first week of July. Following informal Secretariat presentations on the draft biennium budget to States Parties in mid-July, the proposal will be reviewed by ABAF-51 and subject to informal State Party consultations in August-September, with a view to preparing a recommendation by EC-98 to CSP-26.

The challenges associated with programme and budget preparations in the current environment are particularly acute, following over a decade of largely unmitigated inflation combined with real increases in programmatic activities and stakeholder expectations.

In this context, the two-year biennium horizon offers an important opportunity for all stakeholders to take an enhanced strategic view of priorities, opportunities, and challenges ahead. Naturally, I will have more to say on this matter at ABAF-51, when the Secretariat has completed its work on the draft 2022-2023 Biennium Programme and Budget.

With respect to **ERP Implementation**, I am pleased to note that the ERP core System of Record solution was brought live on 4 January, notwithstanding the additional challenges of the COVID pandemic, and has transitioned to stabilization under ongoing Application Managed Service. As with any new ERP, we have some work remaining to continue to enhance and to further tailor the platform to OPCW’s needs.

The remaining components of the Systems of Differentiation, consisting of assets management and travel management, are planned to be delivered in the course of this year. To support the delivery of these components, an upgrade to the latest version of the software is being planned for implementation.

Regarding the **ChemTech Centre**, I am pleased to report that some very important milestones have been achieved since ABAF-49. The irrevocable permit for construction of the ChemTech Centre was granted in February 2021. In March 2021, the project funding

target of EUR 33.5 million was reached, and in April 2021 the main construction contract was signed, which marks the end of the project's design phase and the start of the construction phase.

The cost of the main construction contract is higher than anticipated, but is affordable within available resources, and the project remains on budget. This outcome of the main construction tender substantially reduces the level of risk in the project.

Construction is on schedule, to begin as planned in June 2021 and to be completed by the end of 2022.

In closing, we look forward to another productive week on these and other timely and vital topics for the Organisation. Allow me again to extend my welcome and my appreciation for the important contributions you make to the work of the OPCW.
